



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #235

Increase Day Care Licensing Fee (DCF -- Economic Support and Child Care)

[LFB 2009-11 Budget Summary: Page 166, #15]

CURRENT LAW

The Bureau of Early Care Regulation (BECR) in the Department of Children and Families (DCF) is responsible for licensing and regulating child care and day care facilities. BECR costs are supported from several funding sources, including federal funds the state receives under the child care development block grant (CCDBG) and the social services block grant (SSBG), program revenue (PR) from licensing revenues, and GPR. Estimated expenditures for child care licensing activities in 2008-09 are \$6,952,800 (\$287,200 GPR, \$5,400,600 FED in CCDBG funds, \$310,000 FED in SSBG funds, and \$955,000 PR in licensing fees).

Under current law, a day care center that provides care and supervision for four to eight children (family child care center) must pay a biennial licensing fee of \$60.50 to DCF. A day care center that provides care and supervision for nine or more children (group child care center) must pay a biennial fee of \$30.25, plus a biennial fee of \$10.33 per child, based on the number of children that the center is licensed to serve. In addition, DCF licenses day camps, which provide care and supervision to four or more children three years of age and older in a seasonal program oriented to the out-of-doors for periods less than 24 hours a day. A day camp must pay a biennial fee of \$30.25, plus a biennial fee of \$10.33 per child, based on the number of children the camp is licensed to serve.

GOVERNOR

Provide \$490,000 PR annually to reflect an increase in child care licensing fees. The bill would increase the per child biennial fee for group child care centers and day camps from \$10.33 per child to \$16.94 per child. All other licensing fees would remain the same. This provision

would first apply to a day care center license issued or continued on the bill's general effective date.

DISCUSSION POINTS

1. Child care licensing fees are typically used to offset expenditures in BECR that exceed the amounts budgeted. The current biennial fees are structured as follows: (a) \$60.50 for family child care centers; and (b) \$30.25 plus \$10.33 per slot for group child care centers and day camps. Most of the licensing revenue comes from the per slot fee. Under the bill, the per slot fee for group child care centers would increase from \$10.33 to \$16.94. The total per slot fee a group child care center is required to pay is based on the number of children the child care center is licensed to serve.

2. It should be noted that day camps are created and regulated by administrative rule, rather than statute. Although the bill changes the per slot fee for group day care centers, DCF indicates that the day camp per slot fee would also be increased.

3. The following table shows the current number of group child care centers and the maximum number of children these centers are licensed to serve.

TABLE 1
Number of Group Day Care Facilities and Total Capacity
Calendar Year 2008

<u>Number of Children at Facility</u>	<u>Number of Facilities</u>	<u>Percent of Facilities</u>	<u>Number of Children Served By Facilities</u>	<u>Percent of Children</u>
9 to 20	413	16.3%	7,101	5.0%
21 to 50	1,116	44.1	40,686	28.6
51 to 100	718	28.4	52,555	37.0
101 to 150	205	8.1	25,623	18.0
151 to 200	57	2.3	9,624	6.8
201 or More	<u>23</u>	<u>0.9</u>	<u>6,432</u>	<u>4.5</u>
Total	2,532	100.0%	142,021	100.0%

In addition, in CY 2008, there were 80 day camps serving 6,596 children.

4. There are several arguments for increasing the proportion of child care licensing costs that are supported with licensing revenues. First, it could be argued that these entities should pay a greater portion of the costs the state incurs to regulate them. Currently, revenue from child care licensing fees supports 14% of the total annual cost of child care licensing activities and CCDBG funds support 78% of the total costs. Combined, these two funding sources support 92%

of the total costs of child care licensing activities. DCF indicates that no GPR or SSBG would support child care licensing activities in the 2009-11 biennium. As a result, revenue from child care licensing fees, as increased under AB 75, would support approximately 20% of the total annual cost of child care licensing activities and CCDBG funds would support 80% of the total costs.

5. Second, the Committee may wish to maximize the use of CCDBG funds available for other eligible purposes, particularly to support direct child care subsidies under Wisconsin Shares, due to the increased costs of Wisconsin Shares and the limited availability of funds to support the program. For these reasons, the Committee could increase the per slot licensing fee above the amounts recommended by the Governor.

6. For example, the licensing fees could be increased to support a specified percentage of the total licensing costs. Table 2 shows the amount of licensing fee revenue and CCDBG funds that currently support child care licensing activities, the Governor's recommendation, and two additional alternatives to increase the level of licensing fee revenue by an increase in the biennial per slot fee for group child care centers, and the resulting level of CCDBG funds needed to support current activities. Child care licensing expenditures are estimated at \$7,234,000 annually. It should also be noted that the total annual funding from licensing fees includes all biennial fees, not just the per slot fees.

TABLE 2

Alternative Licensing Fee and CCDBG Funding Levels

Percent of Total	Licensing Fees				CCDBG	
	Total Annual Funding	Biennial Per Slot Fee	Change to Annual Amount Currently Provided	Percent of Total	Amount	Change to Annual Amount Currently Provided
14% (Current Law)	\$939,000	\$10.33	\$0	78%	\$5,400,600	\$0
20% (AB 75)	1,429,000	16.94	490,000	80	5,805,000	404,400
33%	2,387,600	29.84	1,448,600	67	4,846,400	(554,200)
50%	3,617,400	46.39	2,678,400	50	3,616,600	(1,784,000)

7. The Governor's revenue estimates and the estimates shown in Table 2 assume that the fee increase would first be effective July 1, 2009. To reflect this intent, the Committee could specify that the fee increase would be effective on that date and that DCF has the authority to collect the higher fee retroactively, if the effective date of AB 75 is after July 1, 2009.

8. The biennial per slot fee for group child care centers was last increased under 2005 Wisconsin Act 25, from \$8.47 to \$10.33. Other licensing fees were last increased by 10% annually in each year of the 1997-99 biennium. Increasing fees would require facilities to either absorb these costs or pass the costs on to families with children enrolled in their facilities. However, assuming that the per slot fee equals a per child fee and that this cost is passed to the family of each child, currently, a family with a child in group child care pays \$5.17 annually for the per slot licensing fee.

If the biennial per slot fee were increased to \$46.39, a family would pay \$23.20 annually, or \$1.93 a month, for the licensing fee. On the other hand, raising the licensing fee raises the cost of child care and could adversely affect some families.

ALTERNATIVES

1. Approve the Governor's recommendation to increase the per child biennial fee for group child care centers and day camps from \$10.33 per child to \$16.94 per child.

2. Modify the Governor's recommendation to increase the per child biennial fee for group child care centers and day camps from \$10.33 per child to \$29.84 per child. Increase licensing fee revenue by \$958,600 PR annually and decrease CCDBG funding for child care licensing by \$958,600 FED annually, compared to the bill.

ALT 2	Change to Bill Funding
FED	- \$1,917,200
PR	<u>1,917,200</u>
Total	\$0

3. Modify the Governor's recommendation to increase the per child biennial fee for group child care centers and day camps from \$10.33 per child to \$46.39 per child. Increase licensing fee revenue by \$2,188,400 PR annually and decrease CCDBG funding for child care licensing by \$2,188,400 FED annually, compared to the bill.

ALT 3	Change to Bill Funding
FED	- \$4,376,800
PR	<u>4,376,800</u>
Total	\$0

4. In addition to Alternative 1, 2, or 3, specify that the fee increase is effective on July 1, 2009, and that DCF may assess the higher fee on licensed child care providers retroactively to July 1, 2009.

5. Delete provision. Under this alternative, the BECR would have to absorb a reduction in revenue of approximately 6%.

ALT 5	Change to Bill Funding
PR	- \$980,000

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